

**PIERRE SCHOOL DISTRICT NO. 32-2**

**AUDIT REPORT**

**JUNE 30, 2010**

**PIERRE SCHOOL DISTRICT NO. 32-2**  
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# Gary L. Larson, CPA

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900 Winchester Drive  
Pierre, SD 57501  
(605) 940-1284

## REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

School Board  
Pierre School District No. 32-2  
Hughes County, South Dakota

I have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Pierre School District No. 32-2, Hughes County, South Dakota, as of and for the fiscal year ended June 30, 2010 which collectively comprise Pierre School District's basic financial statements, and have issued my report thereon dated December 17, 2010. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

### Internal Control over Financial Reporting

In planning and performing my audit, I considered Pierre School District's internal control over financial reporting a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the School District's internal control over financial reporting.

My consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material

weaknesses have been identified. However, as described in the accompanying Schedule of Current Audit Findings and Questioned Costs, I identified certain deficiencies in internal control over financial reporting that I consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the School District's financial statements will not be prevented, or detected and corrected on a timely basis.

I consider the deficiency described in the Schedule of Current Audit Findings and Questioned Costs as item number 2010-01 to be a material weakness.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Pierre School District's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Pierre School District's response to the findings identified in my audit is described in the accompanying schedule of findings and questioned costs. I did not audit the School District's response and, accordingly, I express no opinion on it.

This report is intended for the information and use of the South Dakota Legislature, the governing board and management of Pierre School District No. 32-2 and is not intended to be and should not be used by anyone other than these specified parties. However, as required by South Dakota Codified Law 4-11-11, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink, appearing to read "Doug Johnson". The signature is fluid and cursive, with the first name "Doug" and last name "Johnson" clearly distinguishable.

December 17, 2010

# Gary L. Larson, CPA

900 Winchester Drive  
Pierre, SD 57501  
(605) 940-1284

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## REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

### Independent Auditor's Report

School Board  
Pierre School District No. 32-2  
Hughes County, South Dakota

#### Compliance:

I have audited Pierre School District's compliance with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that could have a direct and material effect on each of Pierre School District's major federal programs for the fiscal year ended June 30, 2010. Pierre School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Pierre School District's management. My responsibility is to express an opinion on Pierre School District's compliance based on my audit.

I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States and OMB Circular A-133, Audits of States, Local Governments, and Non-profit Organizations. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Pierre School District's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination on Pierre School District's compliance with those requirements.

In my opinion, Pierre School District complied, in all material respects, with the compliance requirements referred to above that could have a material effect on each of its major federal programs for the year ended June 30, 2010.

#### Internal Control over Compliance

The management of Pierre School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing my audit, I considered Pierre School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program to determine my auditing procedures for the purpose of expressing my opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the Pierre School District's internal control over compliance.

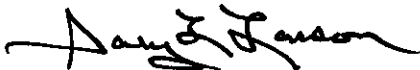
My consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies or material weaknesses have been identified. However, as discussed below, I identified certain deficiencies in internal control over compliance that I consider to be significant deficiencies and material weaknesses.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. I consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 2010-02 to be a material weakness.



The Pierre School District's response to the findings identified in my audit are described in the accompanying Schedule of Findings and Questioned Costs. I did not audit the Pierre School District's responses and, accordingly, I express no opinion on the responses.

This report is intended for the information and use of management, the school board, others within the entity, the South Dakota Legislature, federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than those specified parties. However, as required by South Dakota Codified Law 4-11-11 and OMB Circular A-133 Section .320, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink, appearing to read "David E. Hanson". The signature is fluid and cursive, with a long horizontal stroke at the end.

December 17, 2010

**PIERRE SCHOOL DISTRICT No. 32-2**  
**SCHEDULE OF PRIOR AUDIT FINDINGS**  
**JUNE 30, 2010**

Prior Audit Findings relative to Financial Statement Audit:

FINDING NUMBER 2009-01 and 2008-01:

A material weakness is present due to a lack of segregation of duties.

STATUS AS OF JUNE 30, 2010:

The condition noted in prior audits is still applicable.

Prior Audit Findings Relative to Federal Awards:

FINDING NUMBER 2009-02 and 2008-03:

A material weakness was reported due to a lack of segregation of duties.

STATUS AS OF JUNE 30, 2010:

The condition noted in prior audits is still applicable.

**PIERRE SCHOOL DISTRICT No. 32-2**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**JUNE 30, 2010**

1. SUMMARY OF AUDITOR'S RESULTS

- a. An unqualified opinion was issued on the financial statements.
- b. A significant deficiency and material weakness was disclosed by the audit. It is reported in Section 2, Finding Number 2010-01.
- c. No instances of noncompliance were noted by the audit.
- d. A significant deficiency and material weakness over major programs was noted. See Section 3, Finding Number 2010-02 below.
- e. An unqualified opinion was issued on compliance for major programs.
- f. Audit findings required to be reported under Section .510 (a) of OMB Circular A-133 are listed below as Findings Number 2010-01 and 2010-02.

- g. Programs treated as major programs for this audit were:

<u>Name</u>	<u>CFDA Number</u>
Child Nutrition Cluster:	
Commodities	10.555
School Breakfast Program	10.553
National School Lunch Program	10.555
Title I Cluster:	
Title I Programs - Local	
Education Agencies	84.010
Title I (ARRA)	84.389
Special Education Cluster:	
Special Education - State Grants	84.027
Special Education - Preschool Grants	84.173
Special Education (ARRA)	84.391
Special Education - Preschool (ARRA)	84.392
ARRA - State Fiscal Stabilization Funds	84.394

- h. The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- i. The entity was not qualified as a low risk auditee as described in Section .530 of OMB Circular A-133.

**PIERRE SCHOOL DISTRICT No. 32-2**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**JUNE 30, 2010**

2. FINANCIAL STATEMENT FINDINGS

FINDING NUMBER 2010-01:

A significant deficiency and material weakness is present due to a lack of segregation of duties in revenue, expenditure and payroll functions.

CRITERIA: To obtain adequate internal control, the duties of collecting and handling of cash must be segregated from the recording of cash transactions. The duties of preparing, mailing or otherwise distributing checks should be segregated from the recording process. Various other accounting functions should be performed by different people to insure a proper segregation of duties.

POSSIBLE ASSERTED EFFECT: Inaccurate financial statements and/or misappropriation of funds could result from a lack of segregation of duties.

RECOMMENDATION: Management should remain aware of this situation and attempt to provide compensating controls wherever and whenever possible and practical.

SCHOOL DISTRICT RESPONSE: The School District agrees with this comment. The Pierre School District has determined it is not cost beneficial to employ additional personnel just to be able to adequately segregate duties. The Pierre School District is aware of this problem and is attempting to provide compensating controls wherever and whenever possible and practical. However, this lack of segregation of duties regarding the revenues, expenditures and payroll functions continues to exist.

**PIERRE SCHOOL DISTRICT No. 32-2**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**JUNE 30, 2010**

3. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

FINDING NUMBER 2010-02

A material weakness in internal control over federal programs exists due to a lack of segregation of duties. See Finding Number 2010-01 above for further explanation.

Major Federal Programs Affected: See 1 g above. All programs treated as majors were affected.

Compliance requirements affected: Allowable costs/cost principles.

POSSIBLE ASSERTED EFFECT: Inaccurate financial statements and/or misappropriation of funds could result from a lack of segregation of duties.

RECOMMENDATION: Management should remain aware of this situation and attempt to provide compensating control wherever and whenever possible and practical.

SCHOOL DISTRICT RESPONSE: The School District agrees with this comment. The School Board and Superintendent are responsible for the corrective action plan for this comment. This comment is a result of the size of the Pierre School District No. 32-2 which precludes staffing at a level sufficient to provide an ideal environment for internal controls. The Pierre School District has determined it is not cost beneficial to employ additional personnel just to be able to adequately segregate duties for revenue, expenditures and payroll. The Pierre School District is aware of this problem and is attempting to provide compensating controls wherever and whenever possible and practical. However, this lack of segregation of duties regarding the revenues, expenditures and payroll functions continues to exist.

# Gary L. Larson, CPA

900 Winchester Drive  
Pierre, SD 57501  
(605) 940-1284

## INDEPENDENT AUDITOR'S REPORT

School Board  
Pierre School District No. 32-2  
Hughes County, South Dakota

I have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund, and the aggregate remaining fund information of Pierre School District No. 32-2, Hughes County, South Dakota, as of June 30, 2010, and for the fiscal year then ended, which collectively comprise the School District's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of Pierre School District's management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control over financial reporting. Accordingly, I do not express such an opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinions.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the Pierre School District No. 32-2 as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, I have also issued a report dated December 17, 2010 on my consideration of Pierre School District's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Governmental Auditing Standards and should be considered in assessing the results of my audit.

The budgetary comparison information on pages 62 through 81 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, I did not audit the information and express no opinion on it.

The Pierre School District No. 32-2 has not presented the Management's Discussion and Analysis (MD&A) that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be a part of, the basic financial statements.

My audit was made for the purpose of forming opinions on the financial statements that collectively comprise the Pierre School District No. 32-2 basic financial statements taken as a whole. The Schedule of Expenditures of Federal Awards which is required by U. S. Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-profit Organizations is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.



December 17, 2010

**PIERRE SCHOOL DISTRICT NO. 32-2**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2010**

	Governmental Activities	Business-type Activities	Total
<b>ASSETS:</b>			
Cash and cash equivalents	\$8,000,001	\$205,343	\$8,205,344
Taxes receivable	4,979,313	0	4,979,313
Other receivables	206,557	0	206,557
Inventories	53,997	35,223	89,220
Deferred charges	71,067	0	71,067
<b>Restricted Assets:</b>			
Investments	13,448,546	0	13,448,546
<b>Capital Assets:</b>			
Land	296,363	0	296,363
Other capital assets, net of depreciation	28,558,875	177,401	28,736,276
<b>TOTAL ASSETS</b>	<u>\$55,614,719</u>	<u>\$417,967</u>	<u>\$56,032,686</u>
<b>LIABILITIES:</b>			
Accounts payable	\$133,355	\$275	\$133,630
Accrued interest payable	563,708	0	563,708
Other current liabilities	1,401,552	9,979	1,411,531
Deferred revenue	4,892,889	17,303	4,910,192
<b>Noncurrent Liabilities:</b>			
Due within one year	1,697,853	7,461	1,705,314
Due in more than one year	28,429,460	7,461	28,436,921
<b>TOTAL LIABILITIES</b>	<u>37,118,817</u>	<u>42,479</u>	<u>37,161,296</u>
<b>NET ASSETS:</b>			
Invested in capital assets, net of related debt	12,675,746	177,401	12,853,147
<b>Restricted For:</b>			
Capital outlay	980,609	0	980,609
Special education	482,235	0	482,235
Pension	14,844	0	14,844
Debt service	443,702	0	443,702
Food service	0	198,087	198,087
Unrestricted	3,898,766	0	3,898,766
<b>TOTAL NET ASSETS</b>	<u>18,495,902</u>	<u>375,488</u>	<u>18,871,390</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$55,614,719</u>	<u>\$417,967</u>	<u>\$56,032,686</u>

The accompanying notes to financial statements are an integral part of this statement.



**PIERRE SCHOOL DISTRICT NO. 32-2**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2010**

Functions/Programs	Expenses	PROGRAM REVENUES	
		Charges for Services	Operating Grants and Contributions
Governmental Activities:			
Instruction	\$11,917,236	\$0	\$3,436,075
Support services	6,592,742	178,647	99,707
Nonprogrammed charges	198,041	0	0
Interest on long-term debt *	923,375	0	0
Cocurricular activities	780,587	110,971	0
Total Governmental Activities	20,411,981	289,618	3,535,782
Business-type Activities:			
Food service	1,149,880	713,925	417,673
TOTAL	\$21,561,861	\$1,003,543	\$3,953,455

\* The school district does not have interest expense related to the functions presented above. The amount represents indirect interest on general long-term debt.

GENERAL REVENUES:

Property taxes

Gross receipt taxes

State aid

Revenue from federal sources

Unrestricted investment earnings

Other general revenues

Total general revenues

Change in net assets

Net assets-beginning,  
as previously reported

Correction (Note 14)

Net assets-beginning,  
as restated

NET ASSETS-ending

The accompanying notes to financial statements are an integral part of this statement.

NET (EXPENSE) REVENUE AND  
CHANGES IN NET ASSETS

Governmental Activities	Business-type Activities	Total
(\$8,481,161)	\$0	(\$8,481,161)
(6,314,388)	0	(6,314,388)
(198,041)	0	(198,041)
(923,375)	0	(923,375)
(669,616)	0	(669,616)
(16,586,581)	0	(16,586,581)
0	(18,282)	(18,282)
(16,586,581)	(18,282)	(16,604,863)
10,045,830	0	10,045,830
126,407	0	126,407
7,971,158	0	7,971,158
137,105	0	137,105
13,683	405	14,088
437,391	0	437,391
18,731,574	405	18,731,979
2,144,993	(17,877)	2,127,116
16,159,503	393,365	16,552,868
191,406	0	191,406
16,350,909	393,365	16,744,274
\$18,495,902	\$375,488	\$18,871,390

**PIERRE SCHOOL DISTRICT NO. 32-2**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2010**

	General Fund	Capital Outlay Fund	Special Education Fund
<b>ASSETS:</b>			
Cash and cash equivalents	\$4,394,828	\$1,226,959	\$624,240
Taxes receivable-current	2,282,038	1,296,403	605,521
Taxes receivable-delinquent	56,974	28,086	13,114
Accounts receivable	1,812	241	0
Due from other governments	152,996	0	51,125
Supply inventory	53,997	0	0
Restricted investments	0	3,918,842	0
<b>TOTAL ASSETS</b>	<b>\$6,942,645</b>	<b>\$6,470,531</b>	<b>\$1,294,000</b>

The accompanying notes to financial statements are an integral part of this statement

Pension Fund	Impact Aid Fund	2000 General Obligation Bond Fund	Total Governmental Funds
\$14,867	\$931,405	\$807,702	\$8,000,001
129,589	0	552,288	4,865,839
2,808	0	12,492	113,474
0	383	0	2,436
0	0	0	204,121
0	0	0	53,997
	0	9,529,704	13,448,546
<u>\$147,264</u>	<u>\$931,788</u>	<u>\$10,902,186</u>	<u>\$26,688,414</u>

**PIERRE SCHOOL DISTRICT NO. 32-2**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2010**

	General Fund	Capital Outlay Fund	Special Education Fund
<b>LIABILITIES AND FUND BALANCE</b>			
Liabilities:			
Accounts payable	\$25,378	\$93,037	\$14,940
Contracts payable	1,051,915	0	150,704
Payroll deductions and withholding and employer matching payable	164,582	0	34,351
Deferred revenue	2,339,012	1,339,022	624,884
<b>TOTAL LIABILITIES</b>	<b>3,580,887</b>	<b>1,432,059</b>	<b>824,879</b>
 Fund balances:			
Reserved:			
Reserve for inventory	53,997	0	0
Reserved for Debt Service	0	3,918,842	0
Unreserved:			
Designated for next year's budget	338,072	63,001	95,089
Undesignated	2,969,689	1,056,629	374,032
<b>TOTAL FUND BALANCE</b>	<b>3,361,758</b>	<b>5,038,472</b>	<b>469,121</b>
 <b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$6,942,645</b>	<b>\$6,470,531</b>	<b>\$1,294,000</b>

The accompanying notes to financial statements are an integral part of this statement

Pension Fund	Impact Aid Fund	2000 General Obligation Bond Fund	Total Governmental Funds
\$0	\$0	\$0	\$133,355
0	0	0	1,202,619
0	0	0	198,933
135,228	0	568,217	5,006,363
135,228	0	568,217	6,541,270
0	0	0	53,997
0	0	9,529,704	13,448,546
0	0	0	496,162
12,036	931,788	804,265	6,148,439
12,036	931,788	10,333,969	20,147,144
\$147,264	\$931,788	\$10,902,186	\$26,688,414

**PIERRE SCHOOL DISTRICT NO. 32-2**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET ASSETS**  
**JUNE 30, 2010**

Total Fund Balances-Government Funds	\$20,147,144
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	28,855,238
Assets such as taxes receivable (delinquent) are not available to pay for current period expenditures and therefore are deferred in the funds	113,474
Long-term liabilities, including general obligation bonds, capital outlay certificates payable accrued leave payable and early retirement are not due and payable in the current period and therefore are not reported in the funds.	(30,127,313)
Deferred charges such as bond costs of insurance are accounted for as assets in the statement of net assets, but are expensed when paid in the funds statement.	71,067
Accrued interest payable is not accounted for in the governmental funds but is reported in the statement of net assets.	<u>(563,708)</u>
Net Assets-Governmental Funds	<u><u>\$18,495,902</u></u>

The accompanying notes to financial statements are an integral part of this statement

**PIERRE SCHOOL DISTRICT NO. 32-2**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

	General Fund	Capital Outlay Fund	Special Education Fund
Revenues:			
Revenues from Local Sources:			
Taxes:			
Ad valorem taxes	\$4,711,776	\$2,605,919	\$1,228,394
Prior year's ad valorem taxes	35,786	19,582	9,147
Gross receipts taxes	126,407	0	0
Penalties and interest	11,398	5,988	2,796
Earnings on deposits:			
Interest earned	8,567	1,570	598
Cocurricular activities:			
Admissions	79,411	0	0
Other	31,560	0	0
Other revenues from local sources:			
Medicaid fees	92,203	0	58,118
Rentals	28,326	0	0
Contributions	14,600	0	0
Other	100,272	67,256	2,566
Revenues from Intermediate Sources:			
County Sources:			
County apportionment	252,697	0	0
Revenues from State Sources:			
Grants-in-aid:			
Unrestricted grants-in-aid	7,971,158	0	0
Restricted grants-in-aid	0	99,707	844,963
Revenues from Federal Sources:			
Grants-in-aid:			
Unrestricted grants-in-aid received directly from government	14	0	0
Restricted grants-in-aid received directly from federal government	76,373	0	0
Restricted grants-in-aid received from federal government through state	1,414,545	0	1,091,962
Other	8,232	0	0
Total Revenue	<u>\$14,963,325</u>	<u>\$2,800,022</u>	<u>\$3,238,544</u>

The accompanying notes to financial statements are an integral part of this statement.



Pension Fund	Impact Aid Fund	2000 General Obligation Bond Fund	Total Governmental Funds
\$259,415	\$0	\$1,120,991	\$9,926,495
1,958	0	8,834	75,307
0	0	0	126,407
599	0	2,776	23,557
0	2,774	174	13,683
0	0	0	79,411
0	0	0	31,560
0	0	0	150,321
0	0	0	28,326
0	0	0	14,600
0	0	0	170,094
0	0	0	252,697
0	0	0	7,971,158
0	0	0	944,670
0	137,091	0	137,105
0	0	0	76,373
0	0	0	2,506,507
0	0	0	8,232
<u>\$261,972</u>	<u>\$139,865</u>	<u>\$1,132,775</u>	<u>\$22,536,503</u>

**PIERRE SCHOOL DISTRICT NO. 32-2**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

	General Fund	Capital Outlay Fund	Special Education Fund
Expenditures:			
Instruction:			
Regular Programs:			
Elementary	\$3,358,715	\$311,554	\$0
Middle school	1,692,506	35,097	0
High school	2,333,014	112,004	0
Other	306,107	145,012	0
Special Programs:			
Programs for special education	0	0	1,772,568
Culturally different	87,326	0	0
Educationally deprived	380,255	0	0
Other	271,099	0	0
Support Services:			
Pupils-			
Attendance and social work	51,246	0	0
Guidance	516,100	0	0
Health service	88,405	0	0
Psychological	0	0	89,020
Speech pathology	0	0	302,045
Audiology	0	0	5,434
Student therapy	0	0	267,713
Instructional staff-			
Improvement of instruction	444,131	0	0
Educational media	223,703	21,407	0
General administration-			
Board of education	126,040	0	0
Executive administration	218,918	0	0
School administration-			
Office of principal	896,644	32,794	0
Other	92,323	0	0
Business-			
Fiscal services	241,778	5,745	0
Operation and maintenance of plant	1,979,981	403,707	0
Pupil transportation	84,936	0	0
Other	10,264	4,240	0

The accompanying notes to financial statements are an integral part of this statement.

Pension Fund	Impact Aid Fund	2000 General Obligation Bond Fund	Total Governmental Funds
\$17,063	\$0	\$0	\$3,687,332
80,945	0	0	1,808,548
107,938	0	0	2,552,956
0	0	0	451,119
0	0	0	1,772,568
	0		87,326
0	0	0	380,255
0	0	0	271,099
0	0	0	51,246
0	0	0	516,100
0	0	0	88,405
0	0	0	89,020
0	0	0	302,045
0	0	0	5,434
0	0	0	267,713
0	0	0	444,131
0	0	0	245,110
0	0	0	126,040
0	0	0	218,918
41,984	0	0	971,422
0	0	0	92,323
10,230	0	0	257,753
0	0	0	2,383,688
0	0	0	84,936
0	0	0	14,504

**PIERRE SCHOOL DISTRICT NO. 32-2**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

	General Fund	Capital Outlay Fund	Special Education Fund
Central:			
Staff	\$5,265	\$0	\$0
Special Education:			
Administration costs	0	0	158,118
Transportation costs	0	0	131,983
Non-programmed Charges:			
Early retirement payments	198,041	0	0
Debt Service	0	1,049,825	0
Cocurricular activities:			
Male activities	174,314	900	0
Female activities	162,861	0	0
Transportation	86,511	0	0
Combined activities	262,217	61,807	0
Capital outlay	0	739,364	0
 Total Expenditures	 14,292,700	 2,923,456	 2,726,881
 Excess of Revenues over (under) Expenditures	 670,625	 (123,434)	 511,663
 Other Financing Sources (Uses):			
Transfers-in	173,524	168,456	0
Transfers-out	0	0	(336,912)
 Net Change in Fund Balances	 844,149	 45,022	 174,751
 FUND BALANCE, JULY 1, 2009, as previously reported	 2,326,203	 4,993,450	 294,370
CORRECTION (Note 14)	191,406	0	0
FUND BALANCE, JULY 1, 2009, as restated	2,517,609	4,993,450	294,370
 FUND BALANCE, JUNE 30, 2010	 \$3,361,758	 \$5,038,472	 \$469,121

The accompanying notes to financial statements are an integral part of this statement.

Pension Fund	Impact Aid Fund	2000 General Obligation Bond Fund	Total Governmental Funds
\$0	\$0	\$0	\$5,265
0	0	0	158,118
0	0	0	131,983
0	0	0	198,041
0	0	1,152,892	2,202,717
0	0	0	175,214
0	0	0	162,861
0	0	0	86,511
0	0	0	324,024
0	0	0	739,364
258,160	0	1,152,892	21,354,089
3,812	139,865	(20,117)	1,182,414
0	0	0	341,980
0	(5,068)	0	(341,980)
3,812	134,797	(20,117)	1,182,414
8,224	796,991	10,354,086	18,773,324
0	0	0	191,406
8,224	796,991	10,354,086	18,964,730
\$12,036	\$931,788	\$10,333,969	\$20,147,144

**PIERRE SCHOOL DISTRICT NO. 32-2**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND**  
**BALANCES TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2010**

Net Changes in Fund Balances-Total Governmental Funds	\$1,182,414
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Amounts reported for governmental activities in the statement of activities are different because:

<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.</p>	(326,557)
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<p>In both the government-wide and fund financial statements, revenues from property tax levies are applied to finance the budget of a particular period. Accounting for revenues from property tax accruals in the funds' statements differs from the accounting in the government wide statements in that the fund financial statements require the amounts to be "available". This amount reflects the application of both the application period and "availability criteria".</p>	20,471
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<p>Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.</p>	1,269,972
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<p>Deferred charges such as bond costs of issuance are accounted for as assets in the Statement of Net Assets, but are expensed when paid in the funds statement.</p>	(6,461)
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<p>Governmental funds do not reflect the change in accrued leave or early retirement payable, but the statement of activities reflects these changes through expenditures.</p>	(10,677)
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<p>Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds, such as accrued interest payable.</p>	<div style="border-top: 1px solid black; border-bottom: 3px double black;">15,831</div>
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Change in Net Assets of Governmental Activities	<div style="border-top: 1px solid black; border-bottom: 3px double black;">\$2,144,993</div>
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The accompanying notes to financial statements are an integral part of this statement

**PIERRE SCHOOL DISTRICT NO. 32-2**  
**BALANCE SHEET-PROPRIETARY FUNDS**  
**JUNE 30, 2010**

	ENTERPRISE FUNDS
	Food Service Fund
<b>ASSETS:</b>	
Current Assets:	
Cash and cash equivalents	\$205,343
Inventory of supplies	5,104
Inventory of stores purchased for resale	12,088
Inventory of donated food	18,031
Total Current Assets	<u>240,566</u>
Noncurrent Assets:	
Capital Assets:	
Machinery and equipment	462,316
Accumulated depreciation	(284,915)
Total Noncurrent Assets	<u>177,401</u>
<b>TOTAL ASSETS</b>	<u><u>\$417,967</u></u>
<b>LIABILITIES:</b>	
Current Liabilities:	
Accounts payable	\$275
Contracts payable	\$3,626
Payroll deductions and withholdings and employer matching payable	6,353
Deferred revenue	17,303
Total Current Liabilities	<u>27,557</u>
Noncurrent Liabilities:	
Accrued leave payable	<u>14,922</u>
<b>NET ASSETS:</b>	
Invested in capital assets	177,401
Unrestricted net assets	198,087
Total Net Assets	<u>375,488</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$417,967</u></u>

The accompanying notes to the financial statements are an integral part of this statement.

**PIERRE SCHOOL DISTRICT NO. 32-2**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS -**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

	ENTERPRISE FUNDS
	<u>Food Service Fund</u>
Operating Revenue:	
Sales:	
To pupils	\$551,926
To adults	15,202
Ala carte	<u>146,797</u>
Total Operating Revenue	<u>713,925</u>
Operating Expenses:	
Food services:	
Salaries	378,634
Employee benefits	106,330
Purchased services	17,278
Supplies	45,364
Cost of sales-purchased food	481,049
Cost of sales-donated food	81,247
Depreciation	<u>39,978</u>
Total Operating Expenses	<u>1,149,880</u>
Operating Income (Loss)	<u>(435,955)</u>
Nonoperating Revenue (Expense):	
Local Sources:	
Investment earnings	405
State Sources:	
Cash reimbursements	6,627
Federal Sources:	
Cash reimbursements	328,963
Donated food	<u>82,083</u>
Total Nonoperating Revenue	<u>418,078</u>
Change in Net Assets	<u>(17,877)</u>
Net Assets-beginning	<u>393,365</u>
NET ASSETS-ending	<u><u>\$375,488</u></u>

The accompanying notes to financial statements are an integral part of this statement.



**PIERRE SCHOOL DISTRICT NO. 32-2**  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

	ENTERPRISE FUNDS
	Food Service Fund
Cash Flows from Operating Activities:	
Receipts from customers	\$714,441
Payments to suppliers	(539,014)
Payments to employees	(489,313)
Net Cash Provided (Used) by Operating Activities	(313,886)
Cash Flows from Noncapital Financing Activities:	
Operating subsidies	335,590
Cash Flows from Investing Activities:	
Interest received	405
Net Increase in Cash and Cash Equivalents	\$22,109
Cash and Cash Equivalents at Beginning of Year	\$183,234
Cash and Cash Equivalents at End of Year	205,343
Net Increase in Cash and Cash Equivalents	\$22,109

The accompanying notes to financial statements are an integral part of this statement.

**PIERRE SCHOOL DISTRICT NO. 32-2**  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

RECONCILIATION OF OPERATING INCOME (LOSS) TO NET  
CASH PROVIDED (USED) BY OPERATING ACTIVITIES:

Operating Income (Loss)	(\$435,955)
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Adjustments to Reconcile Operating Income to  
Net Cash Provided (Used) by Operating Activities:

Depreciation expense	39,978
Commodities used	81,247

Changes in Assets and Liabilities:

Deferred revenue	516
Inventories	4,402
Accounts and other payables	1,095
Accrued leave payable	<u>(5,169)</u>

Net Cash Provided (Used) by Operating Activities	<u><u>(\$313,886)</u></u>
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Noncash Investing, Capital and Financing Activities:

Value of commodities received	<u><u>\$82,083</u></u>
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The accompanying notes to financial statements are an integral part of this statement.

**PIERRE SCHOOL DISTRICT NO. 32-2**  
**STATEMENT OF FIDUCIARY NET ASSETS - FIDUCIARY FUNDS**  
**JUNE 30, 2010**

	Private-purpose Trust Funds	Agency Funds
	<u>                    </u>	<u>                    </u>
<b>ASSETS:</b>		
Cash and cash equivalents	\$212,257	\$110,413
Investments	<u>280,282</u>	<u>0</u>
 Total Assets	 <u><u>\$492,539</u></u>	 <u><u>\$110,413</u></u>
 <b>LIABILITIES:</b>		
Amounts held for others	<u>\$0</u>	<u>\$110,413</u>
 Total Liabilities	 \$0	 \$110,413
 <b>NET ASSETS:</b>		
Held in trust for scholarships	<u>492,539</u>	<u>0</u>
 Total Liabilities and Net Assets	 <u><u>\$492,539</u></u>	 <u><u>\$110,413</u></u>

The accompanying notes to financial statements are an integral part of this statement.

**PIERRE SCHOOL DISTRICT NO. 32-2**  
**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS - FIDUCIARY FUNDS**  
**FOR YEAR ENDED JUNE 30, 2010**

	<u>Private-purpose Trust Funds</u>
ADDITIONS:	
Earnings on investments and deposits	<u>\$22,361</u>
Total Additions	<u>22,361</u>
DEDUCTIONS:	
Trust deductions for scholarships	<u>(7,755)</u>
Total Deductions	<u>(7,755)</u>
Change in Net Assets	14,606
Net Assets-beginning	<u>477,933</u>
NET ASSETS-ending	<u><u>\$492,539</u></u>

The accompanying notes to financial statements are an integral part of this statement.

**PIERRE SCHOOL DISTRICT NO. 32-2**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the School District conform to generally accepted accounting principles applicable to government entities in the United States of America.

a. Financial Reporting Entity:

The reporting entity of Pierre School District No. 32-2 consists of the primary government (which includes all of the funds, organizations, institutions, agencies, departments, and offices that make up the legal entity, plus those funds for which the primary government has a fiduciary responsibility, even though those fiduciary funds may represent organizations that do not meet the criteria for inclusion in the financial reporting entity); those organization for which the primary government is financially accountable; and other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the financial reporting entity's financial statements to be misleading or incomplete.

b. Basis of Presentation:

*Government-wide Statements:* The Statement of Net Assets and the Statement of Activities display information about the reporting entity as a whole. They include all funds of the reporting entity, except for fiduciary funds. These statements distinguish between the *governmental and business-type activities* of the School District. Governmental activities generally are financed through taxes, intergovernmental resources, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The Statement of Net Assets reports all financial and capital resources, in a net assets form (assets minus liabilities equal net assets). Net assets are displayed in three components, as applicable, invested

**PIERRE SCHOOL DISTRICT NO. 32-2**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

in capital assets net of related debt, restricted (distinguishing between major categories of restrictions), and unrestricted.

The Statement of Activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the School District and for each function of the School District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by recipients of goods and services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

*Fund Financial Statement:*

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the School District or it meets the following criteria:

1. Total assets, liabilities, revenues or expenditures/expenses of the individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type, and

**PIERRE SCHOOL DISTRICT NO. 32-2**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)
  2. Total assets, liabilities, revenues or expenditures/expenses of the individual governmental or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined, or
  3. Management has elected to classify one or more governmental or enterprise funds as major for consistency in reporting from year to year, or because of public interest in the fund's operations.

The funds of the School District financial reporting entity are described below within their respective fund types:

**Governmental Funds:**

**GENERAL FUND** - A fund established by South Dakota Codified Laws (SDCL) 13-16-3 to meet all the general operational costs of the school district, excluding capital outlay fund and special education fund expenditures. The general Fund is always a major fund.

**SPECIAL REVENUE FUND TYPES** - special revenue funds are used account for the proceeds of specific revenue sources that are legally restricted to expenditures for special purposes.

**Capital Outlay Fund** - A fund established by SDCL 13-16-6 to meet expenditures which result in the lease of, acquisition of or additions to real property, plant or equipment, textbooks and instructional software. The fund is financed by property taxes. This is a major fund.

**Special Education Fund** - A fund established by SDCL 13-37-16 to pay the costs for the special education of all children in need of special assistance and prolonged assistance who reside within the district. This fund is financed by grants and property taxes. This is a major fund.

**PIERRE SCHOOL DISTRICT NO. 32-2**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**Pension Fund** - A fund established by SDCL 13-10-6 for the purpose of accumulating funds and making payments to the South Dakota Retirement System and for early retirement incentive payments. This fund is primarily financed by property taxes. This is a major fund.

**Impact Aid Fund** - A fund established by SDCL 13-16-30 and SDCL 13-16-31 to account for funds received through federal P.L. 103-382, Title VIII. Expenditures cannot be made directly from this fund but transfers out to other school district funds shall be made at the direction of the school board. This is a major fund.

**DEBT SERVICE FUND TYPES** - debt service funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

**The 2000 General Obligation Bond** - A fund established by SDCL 13-16-13 to account for the proceeds of a special property tax restricted to use for the payment of principal and interest on general obligation bonded debt. This is a major fund.

**PROPRIETARY FUNDS:**

Enterprise Fund Types - enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expense incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.



**PIERRE SCHOOL DISTRICT NO. 32-2**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Food Service Fund - A fund used to record financial transactions related to food service operations. This fund is financed by user charges and grants. This is a major fund.

**Fiduciary Funds:**

Fiduciary Funds are never considered to be major funds.

Private-Purpose Trust Funds - private purpose trust funds are used to account for trust arrangements under which principle and income benefit individuals, private organizations or other governments. The school district maintains the following private-purpose trust funds, which are used for the purpose of providing scholarships to students and to help fund students to attend summer camps:

- A.A. Thompson Scholarship Fund
- Richard Bruhn Jr. High Memorial Summer Camp Fund
- Sooper Dooper Scholarship Fund
- Vanhise Scholarship Fund
- Scurr Memorial Scholarship Fund

Agency Fund Types - agency funds are used to account for resources held by the school district in a purely custodial capacity (assets equal liabilities). Since agency funds are custodial in nature they do not involve the measurement of results of operations. The District maintains agency funds for the following purposes:

Student clubs and organizations such as "FFA" and "Student Council"

**PIERRE SCHOOL DISTRICT NO. 32-2**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

c. Measurement of Focus and Basis of Accounting:

Measurement of focus is a term used to describe "how" transactions are recorded within the various financial statements. Basis of accounting refers to "when" revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements, regardless of the measurement of focus.

**Measurement Focus:**

Government-wide Financial Statements:

In the government-wide Statement of Net Assets and Statement of Activities, both governmental and business-type activities are presented using the economic resources measurement focus, applied on the accrual basis of accounting.

Fund Financial Statements:

In the fund financial statements, the "current financial resources" measurement focus and the modified accrual basis of accounting are applied to governmental fund types, while the "economic resources" measurement focus and the accrual basis of accounting are applied to the proprietary and fiduciary funds.

**Basis of Accounting:**

Government-wide Financial Statements:

In the government-wide Statement of Net Assets and Statement of Activities, governmental and business-type activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues and related assets generally are recorded when earned (usually when the right to receive cash vests); and, expenses and related liabilities are recorded when an obligation is incurred (usually when the obligation to pay cash in the future vests).

**PIERRE SCHOOL DISTRICT NO. 32-2**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund Financial Statements:

All governmental funds are accounted for using the modified accrual basis of accounting. Their revenues, including property taxes, generally are recognized when they become measurable and available. "Available" means resources are collected or to be collected soon enough after the end of the fiscal year that they can be used to pay the bills of the current period. The accrual period does not exceed one bill-paying cycle, and for the Pierre School District No. 32-2, the length of that cycle is 60 days. Revenues accrued at June 30, 2010 are federal reimbursement grants and miscellaneous other revenues.

Under the modified accrual basis of accounting, receivables may be measurable but not available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Reported deferred revenues are those where asset recognition criteria have been met but for which revenue recognition criteria have not been met.

Expenditures generally are recognized when the related fund liability is incurred. Exceptions to this general rule include principle and interest on general long-term debt which are recognized when due.

All proprietary and fiduciary funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

The business-type activities and enterprise funds do not apply any FASB Statements and interpretations issued after November 30, 1989.

**PIERRE SCHOOL DISTRICT NO. 32-2**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

d. Interfund Eliminations and Reclassifications:

Government-wide Financial Statements:

In the process of aggregating data for the government-wide statements, some amounts reported as interfund activity and balances in the fund financial statements have been eliminated or reclassified, as follows:

1. In order to minimize the grossing-up effect on assets and liabilities within the governmental and business-type activities columns of the primary government, amounts reported as interfund receivables and payable have been eliminated in the governmental and business-type activities columns, except for the net, residual amounts due between governmental and business-type activities, which are presented as Internal Balances.
2. In order to minimize the doubling-up effect on internal service fund activity, certain "centralized expenses" are charged as direct expenses to funds or programs in order to show all expenses that are associated with a service, program, department, department or fund. When expenses are charged, in this manner, expense reductions occur in the general fund so that expenses are reported only in the function to which they relate.

Fund Financial Statements:

Noncurrent portions of long-term interfund receivables (reported in "Advance to" asset accounts) are equally offset by a fund balance reserve account which indicated that they do not constitute "available spendable resources" since they are not a component of net current assets. Current portions of interfund receivables (reported in "Due from asset accounts) are considered "available spendable resources."

**PIERRE SCHOOL DISTRICT NO. 32-2**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

e. Capital Assets:

Capital assets include land, buildings, machinery and equipment, and all other tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period.

The accounting treatment over capital assets depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

Government-wide Statements:

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their estimated fair value on the date donated.

Interest costs incurred during construction of general capital assets are not capitalized along with other capital asset costs.

The total June 30, 2010 balance of capital assets for governmental activities includes approximately one percent for which the costs were determined by estimates of the original costs. The total June 30, 2010 balance of capital assets for business-type activities are all valued at original cost. These estimated original costs were established by reviewing applicable historical costs and basing the estimations thereon.

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the government-wide Statement of Activities, with net capital assets reflected in the Statement of Net Assets. Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset

**PIERRE SCHOOL DISTRICT NO. 32-2**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

accounts), depreciation methods and estimated useful lives of capital assets reported in the government-wide statements and proprietary funds are as follows:

	<u>Capitalization</u> <u>Threshold</u>	<u>Depreciation</u> <u>Method</u>	<u>Estimated</u> <u>Useful Life</u>
Land	\$ All -	N/A	N/A
Improvements	25,000	Straight-line	15-50 years
Buildings	25,000	Straight-line	15-50 years
Machinery and Equipment-			
General	3,000	Straight-line	4-20 years
Food service	500	Straight-line	4-20 years

Land is an inexhaustible capital asset and is not depreciated.

Fund Financial Statements:

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital expenditures of the appropriate government fund upon acquisition. Capital assets used in proprietary fund operations are accounting for on the accrual basis, the same as in the government-wide statements.

f. Long-term Liabilities:

The accounting treatment of long-term liabilities depends on whether the assets are used in governmental fund operations or proprietary fund operation and whether they are reported in the government-wide or fund financial statements.

All long-term liabilities to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term liabilities primarily consist of General Obligation Bonds and Capital Outlay Certificates, early retirement benefits payable and compensated absences.

**PIERRE SCHOOL DISTRICT NO. 32-2**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

In the fund financial statements, debt proceeds are reported as revenues (other financing resources), while payments of principle and interest are reported as expenditures when they become due. The accounting for proprietary fund long-term debt is on the accrual basis, the same in the fund statements as in the government-wide statements.

g. Program Revenues:

In the Government-wide Statement of Activities, reported program revenues derive directly from the program itself or from parties other than the district's taxpayers or citizenry, as a whole. Program revenues are classified into three categories, as follows:

1. Charges for services - These arise from charges to customers, applicants, or others who purchase, use or directly benefit from the goods, services or privileges provided, or are otherwise directly affected by the services.
2. Program-specific operating grants and contributions - These arise from mandatory and voluntary non-exchange transactions with other governments, organizations or individuals that are restricted for use in a particular program.
3. Program-specific capital grants and contributions - These arise from mandatory and voluntary non-exchange transactions with other governments, organizations or individuals that are restricted for the acquisition of capital assets for use in a particular program.

h. Proprietary Funds Revenue and Expense Classifications:

In the proprietary fund's Statement of Activities, revenues and expenses are classified in a manner consistent with how they are classified in the

**PIERRE SCHOOL DISTRICT NO. 32-2**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Statement of Cash Flows. That is, transactions for which related cash flows are reported as capital and related financing activities, noncapital financing activities, or investing activities are not reported as components of operating revenues or expense.

i. Cash and Cash Equivalents:

For the purpose of the Statement of Cash Flows, the school district considers all highly liquid investments and deposits with a term to maturity of three months or less when purchased to be cash equivalents.

j. Equity Classifications:

Government-wide Statements:

Equity is classified as net assets and is displayed in three components:

1. Invested in capital assets, net of related debt, - Consists of capital assets, including restricted capital assets, net of accumulated depreciation (if applicable) and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction or improvement of those assets.
2. Restricted net assets - Consists of net assets with constraints placed on their use either by (a) external groups such as creditors, grantors, contributors or laws and regulations of other governments; or (b) law through constitutional provisions or enabling legislation.
3. Unrestricted net assets - All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".



**PIERRE SCHOOL DISTRICT NO. 32-2**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund Financial Statements:

Governmental fund equity is classified as fund balance, and may distinguish between "Reserved" and "Unreserved" components. Proprietary fund equity is classified the same as in the government-wide financial statements.

k. Application of Net Assets:

It is the School District's policy to first use restricted net assets, prior to the use of unrestricted net assets, when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

2. DEPOSITS AND INVESTMENTS CREDIT RISK, CONCENTRATIONS OF CREDIT RISK AND INTEREST RATE RISK

The school district follows the practice of aggregating the cash assets of the governmental funds to maximize cash management efficiency and returns. The enterprise funds own their own specific investments and deposits. These restrictions are summarized below:

Deposits - The school district's deposits are made in qualified public depositories as defined by SDCL 4-6A-1, 13-16-15, 13-16-15.1 and 13-16-18.1. Qualified depositories are required by SDCL 4-6A-3 to maintain at all times, segregated from their other assets, eligible collateral having a value equal to at least 100 percent of the public deposit accounts which exceed deposit insurance such as the FDIC and NCUA. In lieu of pledging eligible securities, a qualified public depository may furnish irrevocable standby letters of credit issued by federal home loan banks accompanied by written evidence of that bank's public debt rating which may not be less than "AA" or a qualified public depository may furnish a corporate surety bond of a corporation authorized to do business in South Dakota.

**PIERRE SCHOOL DISTRICT NO. 32-2**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

2. DEPOSITS AND INVESTMENTS CREDIT RISK, CONCENTRATIONS OF CREDIT RISK AND INTEREST RATE RISK (continued)

Investments - In general, SDCL 4-5-6 permits school funds to be invested in (a) securities of the United States and Securities guaranteed by the United States government either directly or indirectly; or (b) repurchase agreements fully collateralized by securities described in (a); or in shares of an open-ended, no-load fund administered by an investment company whose investments are in securities described in (a) and repurchase agreements described in (b). Also, SDCL 4-5-9 requires that investments shall be in the physical custody of the political subdivision or may be deposited in a safekeeping account with any bank or trust company designated by the political subdivision as its fiscal agent.

**Credit Risk** - State law limits eligible investments for the School District, as discussed above. The School District has no investment policy that would further limit its investment choices.

As of June 30, 2010, the School District had the following investments:

<u>Investment</u>	<u>Fund</u>	<u>Credit Rating</u>	<u>Maturities</u>	<u>Fair Value</u>
U.S. Treasury SLG's	Capital			
	Outlay	N/A	1/15/11	\$ 3,918,842
U.S. Treasury SLG's	2000			
	G.O.			
	Bond	N/A	8/1/10	<u>9,529,704</u>
TOTAL INVESTMENTS				<u>\$13,448,546</u>

The above investments are restricted for the purpose of debt retirement. See also Note 7.

**Interest Rate Risk** - The School District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**PIERRE SCHOOL DISTRICT NO. 32-2**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

2. DEPOSITS AND INVESTMENTS CREDIT RISK, CONCENTRATIONS OF CREDIT RISK AND INTEREST RATE RISK (continued)

**Concentration of Credit Risk** - The School District places no limit on the amount that may be invested in any one issuer.

**Assignment of Investment Income** - State law allows income from deposits and investments to be credited to either the General Fund or the fund making the investment. The School District's policy is to credit all income from investments to the fund making the investment.

3. RECEIVABLES AND PAYABLES

Neither receivables nor payables are aggregated in these financial statements. The district expects all receivables to be collected within one year. No allowances for estimated uncollectibles have been established.

4. INVENTORY

Inventory is stated at the lower of cost or market. The cost valuation method is first-in, first-out. Donated commodities are valued at estimated market value based on the USDA price list at date of receipt.

In the government-wide financial statements, inventory items are initially recorded as assets and charged to expense in the various functions of government as they are consumed.

In the governmental fund financial statements, inventories in the General Fund consist of expendable supplies held for consumption. They are recorded as an asset when purchased. The cost is recorded as an expenditure at the time individual inventory items are consumed. Reported inventories are equally offset by a fund balance reserve which indicates that they do not constitute "available spendable resources" even though they are a component of net current assets.

In the proprietary fund financial statements, inventory is reported using the consumption method of accounting.

**PIERRE SCHOOL DISTRICT NO. 32-2**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

5. PROPERTY TAX

Property taxes are levied on or before each October 1, and attach as an enforceable lien on property, and become due and payable as of the following January 1, and are payable in two installments on or before the following April 30<sup>th</sup> and October 31<sup>st</sup>. The county bills and collects the School District's taxes and remits them to the School District.

School district property tax revenues are recognized to the extent that they are used to finance each year's appropriations. Revenue related to current year property taxes receivable which is not intended to be used to finance the current year's appropriations and therefore are not susceptible to accrual has been reported as deferred revenue in both the fund financial statements and the government-wide financial statements. Additionally, in the fund financial statements, revenue from property taxes may be limited by any amount not collected during the current fiscal period or within the "availability period."

6. CHANGES IN CAPITAL ASSETS

A summary of the changes in capital assets for the year ended June 30, 2010 is as follows:

	<u>Balance</u> <u>7/01/09</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>06/30/10</u>
Government Activities:				
Capital assets not being depreciated				
Land	\$ 296,363	\$ -	\$ -	\$ 296,363
Capital assets being depreciated				
Buildings	37,751,923	457,370	-	38,209,293
Improvements	1,899,315	169,040	-	2,068,355

**PIERRE SCHOOL DISTRICT NO. 32-2**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

6. CHANGES IN CAPITAL ASSETS (continued)

	Balance <u>7/01/09</u>	<u>Increase</u>	<u>Decrease</u>	Balance <u>06/30/10</u>
Machinery and Equipment	\$ 3,205,486	\$ 112,954	\$ 59,711	\$ 3,258,729
Total	<u>42,858,724</u>	<u>739,364</u>	<u>59,711</u>	<u>43,536,377</u>
Less accumulated Depreciation:				
Buildings	11,877,189	766,794	-	12,643,983
Improvements	409,522	95,683	-	505,205
Machinery and Equipment	<u>1,684,581</u>	<u>203,444</u>	<u>59,711</u>	<u>1,828,314</u>
Total	<u>13,971,292</u>	<u>1,065,921</u>	<u>59,711</u>	<u>14,977,502</u>
Total capital assets being depreciated, net:	<u>28,885,432</u>	<u>(326,557)</u>	<u>-</u>	<u>28,558,875</u>
Governmental activity capital assets, net:	<u>\$29,181,795</u>	<u>\$ (326,557)</u>	<u>\$ -</u>	<u>\$28,855,238</u>
Business-type activities:				
Capital assets being depreciated:				
Machinery and Equipment	\$ 510,987	\$ -	\$ 48,671	\$ 462,316
Less accumulated Depreciation	<u>(293,608)</u>	<u>(39,978)</u>	<u>48,671</u>	<u>(284,915)</u>
Business-type capital assets, net	<u>\$ 217,379</u>	<u>\$ (39,978)</u>	<u>\$ -</u>	<u>\$ 177,401</u>

Depreciation expense was changed to functions as follows:

**PIERRE SCHOOL DISTRICT NO. 32-2**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

6. CHANGES IN CAPITAL ASSETS (continued)

Governmental activities:

Instruction	\$ 906,033
Support Services	127,911
Cocurricular Activities	<u>31,977</u>
	<u>\$1,065,921</u>

Business-type activities:

Food service	<u>\$ 39,978</u>
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7. LONG-TERM LIABILITIES

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Governmental Activities:</b>					
Bonds Payable:					
General					
Obligation \$21,025,000 \$		-	\$ 505,000	\$20,520,000	\$1,020,000
Capital					
Lease	421,839	-	421,839	-	-
Capital Outlay					
Certificates	<u>9,427,625</u>	<u>-</u>	<u>343,133</u>	<u>9,084,492</u>	<u>367,225</u>
Total Debt	30,874,464	-	1,269,972	29,604,492	1,387,225
Early Retirement Payable-					
Governmental					
Funds	272,175	122,703	198,041	196,837	147,628
Accrued Compensated					
Absences-					
Governmental					
Funds	<u>239,969</u>	<u>162,992</u>	<u>76,977</u>	<u>325,984</u>	<u>163,000</u>
Total Governmental					
Activities	<u>31,386,608</u>	<u>285,695</u>	<u>1,544,990</u>	<u>30,127,313</u>	<u>1,697,853</u>

**PIERRE SCHOOL DISTRICT NO. 32-2**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

7. LONG-TERM LIABILITIES: (continued)

**Business-type Activities:**

	Beginning			Ending	Due Within
	<u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u>	<u>One Year</u>
Accrued Compensated					
Absences-					
Business-type					
Funds	<u>20,091</u>	<u>7,500</u>	<u>12,669</u>	<u>14,922</u>	<u>7,461</u>
Total Business-type					
Activities	<u>20,091</u>	<u>7,500</u>	<u>12,669</u>	<u>14,922</u>	<u>7,461</u>
<b>TOTAL</b>	<u><b>31,406,699</b></u>	<u><b>293,195</b></u>	<u><b>1,557,659</b></u>	<u><b>30,142,235</b></u>	<u><b>1,705,314</b></u>

In fiscal 2004 the School District issued \$9,995,000 of "Crossover Refunding Bonds". The entire proceeds were placed in an escrow account for the purpose of an "advance refunding" of \$9,505,000 of 2000 General Obligation Bonds. The escrow account will also be used to pay interest on the new bonds until August 1, 2011. On August 1, 2011 the \$9,505,000 left on the 2000 bonds will be called and paid by the escrow account. The escrow account balance as of June 30, 2010 was \$9,529,704.

In fiscal 2005 the School District issued \$4,020,000 of "Crossover Capital Outlay Refunding Certificates". The entire proceeds of this issue was placed in an escrow account for the purpose of an "advance refunding" of \$3,920,000 of Series 2003 Capital Outlay Certificates, to occur January 15, 2012. As of June 30, 2010 this escrow account balance was \$3,918,842.

Liabilities payable at June 30, 2010 is comprised of the following:

General Obligation Bonds:

2000 General Obligation Bonds; average interest rate of 5.2%, maturing 8/1/11. These are being paid by the Debt Service Fund. \$10,525,000

**PIERRE SCHOOL DISTRICT NO. 32-2**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

7. LONG-TERM LIABILITIES: (continued)

2004 Crossover Refunding Bonds; average interest rate of 2.9%, maturing 8/1/20. These are paid by the Debt Service Fund, with interest only to 8/01/2011 and balance maturing 8/01/2020. 9,995,000

TOTAL G. O. BONDS \$20,520,000

Capital Outlay Certificates:

Capital Outlay Certificates, Series 2001 with interest rates ranging from 4.0% to 5.1%, maturing in the remaining years ending 6/30/08 through 6/30/21. These are being paid by the Capital Outlay Fund. \$ 4,195,000

Capital Outlay Certificates, Series 2003 with interest at the rate of 4.59%, maturing in the remaining years ending 6/30/08 through 6/30/13. These are being paid by the Capital Outlay Fund. 869,492

Capital Outlay (crossover) Refunding Certificates, Series 2005, interest ranging from 3.3% to 4.05%, depending on length to maturity of individual certificates. Matures 2021. These are to be paid by the Capital Outlay Fund. 4,020,000

TOTAL CAPITAL OUTLAY CERTIFICATES \$ 9,084,492



**PIERRE SCHOOL DISTRICT NO. 32-2**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

7. LONG-TERM LIABILITIES: (continued)

Early Retirement Benefits:

Payments to qualified individuals electing early retirement to be paid in the years ending 6/30/10 through 6/30/12 from the General Fund. \$ 196,837

Compensated Absences:

Payments for vacation and sick leave paid from the General or Lunch Fund. \$ 340,906

GRAND TOTAL \$30,142,235

The annual requirements to amortize all debt outstanding as of June 30, 2010, excluding accrued leave follows:

Annual Requirements to Amortize Long-term Debt

Year Ending June 30,	June 30, 2010 General Obligation		Total
	Principal	Interest	
2011	\$ 1,020,000	\$ 858,615	\$ 1,878,615
2012	9,805,000	627,256	10,432,256
2013	805,000	348,418	1,153,418
2014	860,000	321,750	1,181,750
2015	920,000	291,690	1,211,690
2016 - 2020	5,715,000	875,728	6,590,728
2021 - 2025	<u>1,395,000</u>	<u>28,598</u>	<u>1,423,598</u>
Total	<u>\$20,520,000</u>	<u>\$3,352,055</u>	<u>\$23,872,055</u>

**PIERRE SCHOOL DISTRICT NO. 32-2**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

7. LONG-TERM LIABILITIES: (continued)

Year Ending June 30, _____	Capital Outlay Certificates			Early Retirement Principal Only
	Principal	Interest	Total	
2011	\$ 367,225	\$ 393,306	\$ 760,531	\$ 147,628
2012	4,331,507	380,512	4,712,019	25,363
2013	1,015,760	171,476	1,187,236	23,846
2014	350,000	129,818	479,818	-
2015	365,000	117,568	482,568	-
2016 - 2020	2,155,000	364,795	2,519,795	-
2021 - 2025	<u>500,000</u>	<u>20,250</u>	<u>520,250</u>	<u>-</u>
Total	<u>\$ 9,084,492</u>	<u>\$1,577,725</u>	<u>\$10,662,217</u>	<u>\$196,837</u>

Year Ending June 30, _____	GRAND TOTAL		Total
	Principal	Interest	
2011	\$ 1,534,853	\$ 1,251,921	\$ 2,786,774
2012	14,161,870	1,007,768	15,169,638
2013	1,844,606	519,894	2,364,500
2014	1,210,000	451,568	1,661,568
2015	\$ 1,285,000	\$ 409,258	\$ 1,694,258
2016 - 2020	7,870,000	1,240,523	9,110,523
2021 - 2025	<u>1,895,000</u>	<u>48,848</u>	<u>1,943,848</u>
Total	<u>\$29,801,329</u>	<u>\$ 4,929,780</u>	<u>\$34,731,109</u>

**PIERRE SCHOOL DISTRICT NO. 32-2**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

8. RESTRICTED NET ASSETS

The following table shows the net assets restricted for other purposes as shown on the Statement of Net Assets:

<u>Fund</u>	<u>Restricted By</u>	<u>Amount</u>
Debt Service	Debt covenants	\$ 443,702
Capital Outlay	Law	980,609
Special Education	Law	482,235
Pension	Law	14,844
Food Service	Federal regulations	198,087
Total Restricted Net Assets:		<u>\$2,119,477</u>

9. RETIREMENT PLAN

All employees, working more than 20 hours per week during the school year, participate in the South Dakota Retirement System (SDRS), a cost sharing, and multiple employer public employee retirement system established to provide retirement benefits for employees of the State of South Dakota and its political subdivisions. The SDRS provides retirement, disability and survivor benefits. The right to receive retirement benefits vests after three years of credited service. Authority for establishing, administering and amending plan provisions are found in South Dakota Codified Law 3-12. The SDRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the SDRS, PO Box 1098, Pierre, SD 57501-1098 or by calling (605) 773-3731.

Covered employees are required by state statute to contribute the following percentages of their salary to the plan: Class A Members, 6.0% of salary; Class B Judicial Members, 9.0% of salary; and Class B Public Safety Members, 8.0% of salary. State statute also requires the employer to contribute an amount equal to the employee's contribution. State statute also requires the employer to make an additional contribution in the amount of 6.2 percent for any compensation exceeding the maximum taxable amount for social

**PIERRE SCHOOL DISTRICT NO. 32-2**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

9. RETIREMENT PLAN (continued)

security for general employees only. The School District's share of contributions to the SDRS for the fiscal years ended June 30, 2010, 2009, and 2008 were \$704,799, \$685,824, and \$643,295 respectively, equal to the required contributions each year.

10. RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the period ended June 30, 2010, the school district managed its risks as follows:

Employee Health Insurance:

The school district joined the South Dakota School District Benefits Fund. This is a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities. The school district pays a monthly premium to the pool to provide health insurance coverage for its employees. The pool purchases reinsurance coverage with the premiums it receives from the members.

The school district does not carry additional health insurance coverage to pay claims in excess of this upper limit. Settled claims resulting from these risks have not exceeded the liability coverage during the past three years.

Liability Insurance:

The School District joined the Associated School Boards of South Dakota Property and Liability Fund (ASBSD-PLF), a public entity risk pool currently operating as a common risk management and insurance program for South Dakota school districts. The objective of the ASBSD-PLF is to administer and provide risk management services and risk sharing facilities to members and to defend and protect the members

**PIERRE SCHOOL DISTRICT NO. 32-2**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

10. RISK MANAGEMENT (continued)

against liability, to advise members on loss control guidelines and procedures, and provide them with risk management services, loss control and risk reduction information and to obtain lower costs for that coverage. The School District's responsibility is to promptly report to and cooperate with the ASBSD-PLF to resolve any incident which could result in a claim being made by or against the School District. The School District pays an annual premium, to provide liability coverage detailed below, under a claims-made policy and the premiums are accrued based on the ultimate cost of the experience to date of the ASBSD-PLF member, based on their exposure or type of coverage. The school district pays an annual premium to the pool to provide coverage for property, general liability, professional liability, crime and boiler and machinery.

The agreement with the Associated School Boards of South Dakota Property Liability Fund provides that the above coverage's will be provided to a \$6,000,000 limit. Member premiums are used by the pool for payment of claims and to pay for reinsurance for claims in excess of \$100,000 to the upper limit. The school district carries a \$1,000 deductible for boiler and machinery coverage and various deductibles for the other coverage.

The School District does not carry additional insurance to cover claims in excess of the upper limit. Settled claims resulting from these risks have not exceeded the liability coverage during the past three years.

Worker's Compensation:

The school district participates, with several other educational units and related organizations in South Dakota, in the Associated School Boards of South Dakota Worker's Compensation Fund Pool which provided worker's compensation insurance coverage for participating members of the pool. The objective of the Fund is to formulate, develop and administer, on behalf of the member organizations, a program of worker's compensation coverage, to obtain lower costs for that coverage, and to develop a comprehensive loss control

**PIERRE SCHOOL DISTRICT NO. 32-2**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

10. RISK MANAGEMENT (continued)

program. The School District's responsibility is to initiate and maintain a safety report and cooperate with the Fund to resolve any worker's compensation claims. The School District pays an annual premium, to provide worker's compensation coverage for its employees, under a retrospectively rated policy and the premiums are accrued based on the ultimate cost of the experience to date of the Fund members. The school district may also be responsible for additional assessments in the event the pool is determined by its board of trustees to have inadequate reserves to satisfy current obligations or judgments. Additional assessments, if any, are to be determined on a prorated basis based upon each participant's percentage of contribution in relation to the total contributions to the pool of all participants for the year in which the shortfall occurs. The pool provides loss coverage to all participants through pool retained risk retention and through insurance coverage purchased by the pool in excess of the retained risk. The pool pays the first \$500,000 of any claim per individual. The pool has reinsurance which covers up to \$1,000,000 per individual per incident.

The School District does not carry additional insurance to cover claims in excess of the upper limit. Settled claims resulting from these risks have not exceeded the liability coverage over the past three years.

Unemployment Benefits:

The School has elected to be self-insured and retain all risk for liabilities resulting from claims for unemployment benefits.

During the year ended June 30, 2010, no claims for unemployment benefits was filed. At June 30, 2010, no claims had been filed for unemployment benefits and none are anticipated in the next fiscal year.

**PIERRE SCHOOL DISTRICT NO. 32-2**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

11. RELATED ORGANIZATION

The Pierre School District No. 32-2 Educational Foundation was incorporated August 1, 1996 to promote the further educational development of Pierre School District No. 32-2 students, staff and graduates. The organization is a nonprofit corporation governed by seven trustees of which four are appointed by the Pierre School District No. 32-2.

The District does not control it since it takes a 2/3 vote of the trustees to delete an officer or trustee and the District does not approve the organization's financial decisions.

GASB Statement No. 39 requirements to report this entity as a component unit do not apply because:

- a. The economic resources received and held by the "Foundation" are not necessarily held for the direct benefit of the School District and may be directed elsewhere at the discretion of the trustees.
- b. The School District does not have the ability to access the economic resources received the "Foundation".
- c. Any resources received by the School District from this entity are not significant.

12. INDIVIDUAL FUND INTERFUND TRANSACTIONS

The Impact Aid fund transferred \$5,068 to the General Fund to supplement its operations.

The Special Education Fund transferred \$168,456 to both the General and Capital Outlay Funds to supplement their operations. These transfers were allowable in FY 10 under SDHB 1020.

13. EARLY RETIREMENT PLAN

Following is a description of the Early Retirement Plan:

Any teacher who has completed eleven years of service in the Pierre School District No. 32-2, and has attained or will attain at least the age of 55 as of December 31 of the year of retirement, may receive an early retirement benefit upon permanent severance of employment with the district.

**PIERRE SCHOOL DISTRICT NO. 32-2**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

13. EARLY RETIREMENT PLAN (continued)

The benefit shall consist of the following:

Age at June 30 of Retirement Year	Percentage Factor *
55-62	75%

\* Shall be applied to the teacher's last contracted salary exclusive of any extra duty pay.

Option A:

A teacher electing to take the early retirement payment as one lump sum must notify the superintendent in writing on or before February 1 of the prior year in which retirement will occur. The teacher must provide a final notification of retirement to the superintendent on or before February 1 of the year the retirement will occur.

Option B:

A teacher electing to take the early benefit in payments of 1/3 the amount will have his/her first 1/3 transmitted to SDRS Special Pay Program at the time of his/her termination (retirement) and 1/3 on each July 1 until paid in full.

As of June 30, 2010, 10 employees are receiving benefits under the above plan.

The termination benefit liability reported as \$196,837 (see Note 7) is measured at the actual dollar amount of contracted future benefits. The assumptions used to determine this amount is that the exact amount agreed upon between the retiring employee and the School District is the amount which will be paid.

14. CORRECTION TO BEGINNING FUND BALANCE

The beginning fund balance of the General Fund was corrected due to an overstatement of the June 30, 2009 accounts payable balance.



**PIERRE SCHOOL DISTRICT NO. 32-2**  
**REQUIRED SUPPLEMENTAL INFORMATION BUDGETARY COMPARISON SCHEDULE- GENERAL**  
**FUND - BUDGETARY BASIS**  
**FOR YEAR ENDED JUNE 30, 2010**

	Budgeted amounts		Actual
	Original	Final	Budgetary Basis
Revenues:			
Revenues from Local Sources:			
Taxes:			
Ad valorem taxes	\$4,691,547	\$4,691,547	\$4,711,776
Prior year's ad valorem taxes	51,000	51,000	35,786
Gross receipts taxes	160,000	160,000	126,407
Penalties and interest	21,000	21,000	11,398
Tuition and fees:			
Summer school fees	750	750	0
Earnings on deposits:			
Interest earned	20,000	20,000	8,567
Cocurricular activities:			
Admissions	95,000	95,000	79,411
Other	19,000	19,000	31,560
Other revenues from local sources:			
Medicaid fees	114,000	114,000	92,203
Rentals	30,500	30,500	28,326
Contributions	32,100	32,100	14,600
Other	109,500	109,500	100,272
Revenues from Intermediated Sources:			
County Sources:			
County apportionment	240,000	240,000	252,697
Revenues from State Sources:			
Grants-in-aid			
Unrestricted grants-in-aid	7,987,263	7,987,263	7,971,158
Revenues from Federal Sources:			
Grants-in-aid:			
Unrestricted federal grants	14	14	14
Restricted grants-in-aid received directly from federal government	76,373	76,373	76,373
Restricted grants-in-aid received from federal government through state	1,207,580	1,207,580	1,414,545
Other federal revenue	6,000	6,000	8,232
Total Revenue	\$14,861,627	\$14,861,627	\$14,963,325

The accompanying notes to required supplemental information are an integral part of this schedule.

Variance  
with Final  
Budget

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\$20,229  
(15,214)  
(33,593)  
(9,602)

(750)

(11,433)

(15,589)  
12,560

(21,797)  
(2,174)  
(17,500)  
(9,228)

12,697

(16,105)

0

0

206,965  
2,232

---

\$101,698

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**PIERRE SCHOOL DISTRICT NO. 32-2**  
**REQUIRED SUPPLEMENTAL INFORMATION BUDGETARY COMPARISON SCHEDULE- GENERAL**  
**FUND - BUDGETARY BASIS**  
**FOR YEAR ENDED JUNE 30, 2010**

	Budgeted amounts		Actual
	Original	Final	Budgetary Basis
Expenditures:			
Instruction:			
Regular Programs:			
Elementary	\$3,465,731	\$3,474,631	\$3,358,715
Middle school	1,785,365	1,786,365	1,692,506
High school	2,336,685	2,359,085	2,333,014
Other	302,650	320,578	306,107
Special Programs:			
Culturally different	99,323	99,323	87,326
Educationally deprived	488,083	492,248	380,255
Other	227,356	288,681	271,099
Support Services:			
Pupils-			
Attendance and social work	49,299	53,077	51,246
Guidance	528,565	528,565	516,100
Health service	87,937	90,337	88,405
Instructional staff-			
Improvement of instruction	461,481	479,731	444,131
Educational media	231,743	231,743	223,703
General administration-			
Board of education	158,530	158,530	126,040
Executive administration	219,973	222,273	218,918
School administration-			
Office of principal	889,266	897,166	896,644
Other	51,866	59,066	92,323
Business-			
Fiscal services	260,433	260,433	241,778
Operations and maintenance			
of plant	2,125,420	2,125,420	1,979,981
Pupil transportation	71,350	84,350	84,936
Other	0	0	10,264
Central:			
Staff	15,000	15,000	5,265

The accompanying notes to required supplemental information are an integral part of this schedule.

Variance  
with Final  
Budget

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\$115,916

93,859

26,071

14,471

11,997

111,993

17,582

1,831

12,465

1,932

35,600

8,040

32,490

3,355

522

(33,257)

18,655

145,439

(586)

(10,264)

9,735

**PIERRE SCHOOL DISTRICT NO. 32-2**  
**REQUIRED SUPPLEMENTAL INFORMATION BUDGETARY COMPARISON SCHEDULE- GENERAL**  
**FUND - BUDGETARY BASIS**  
**FOR YEAR ENDED JUNE 30, 2010**

	Budgeted amounts		Actual
	Original	Final	Budgetary Basis
Non-programmed Charges:			
Early retirement payments	\$358,100	\$358,100	\$198,041
Cocurricular activities:			
Male activities	166,608	174,408	174,314
Female activities	160,055	162,955	162,861
Transportation	86,512	86,512	86,511
Combined activities	290,797	296,047	262,217
Contingencies	150,000	150,000	0
Amount transferred	0	(143,500)	0
Total Expenditures	15,068,128	15,111,124	14,292,700
Excess of Revenues over (under) Expenditures	(206,501)	(249,497)	670,625
Other Financing Sources:			
Transfers-in	168,456	173,524	173,524
Net change in Fund Balances	(38,045)	(75,973)	844,149
FUND BALANCE, JULY 1, 2009, as previously reported	2,326,203	2,326,203	2,326,203
CORRECTIONS	0	0	191,406
FUND BALANCE, JULY 1, 2009, as restated	2,326,203	2,326,203	2,517,609
FUND BALANCE, JUNE 30, 2010	\$2,288,158	\$2,250,230	\$3,361,758

The accompanying notes to required supplemental information are an integral part of this schedule.

<div>Variance</div> <div>with Final</div> <div>Budget</div>
\$160,059
94
94
1
33,830
150,000
(143,500)
818,424
920,122
0
920,122
0
191,406
191,406
\$1,111,528

**PIERRE SCHOOL DISTRICT NO. 32-2**  
**REQUIRED SUPPLEMENTAL INFORMATION BUDGETARY COMPARISON SCHEDULE- CAPITAL**  
**OUTLAY FUND - BUDGETARY BASIS**  
**FOR YEAR ENDED JUNE 30, 2010**

	Budgeted amounts		Actual
	Original	Final	Budgetary Basis
Revenues:			
Revenues from Local Sources:			
Taxes:			
Ad valorem taxes	\$2,577,280	\$2,577,280	\$2,605,919
Prior year's ad valorem taxes	19,000	19,000	19,582
Penalties and interest	7,600	7,600	5,988
Earnings on deposits:			
Interest earned	8,000	8,000	1,570
Other local revenue	60,100	60,100	67,256
Revenues from State Sources:			
Restricted Grants-in-aid	133,492	133,492	99,707
Total Revenue	2,805,472	2,805,472	2,800,022
Expenditures:			
Instruction:			
Regular Programs:			
Elementary	275,740	275,740	311,554
Middle school	70,342	70,342	35,097
High school	153,618	153,618	112,004
Other	160,000	160,000	145,012
Support Services:			
Instructional staff-			
Educational media	2,500	2,500	21,407
General administration-			
Executive administration	2,500	2,500	0
School administration-			
Office of principal	47,000	47,000	49,406
Business-			
Fiscal services	6,500	6,500	5,745
Facilities acquisition			
and maintenance	671,873	671,873	700,188
Operations and maintenance			
of plant	393,917	393,917	403,707

The accompanying notes to required supplemental information are an integral part of this schedule.

Variance  
with Final  
Budget

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\$28,639

582

(1,612)

(6,430)

7,156

---

(33,785)

---

(5,450)

---

(35,814)

35,245

41,614

14,988

(18,907)

2,500

(2,406)

755

(28,315)

(9,790)



**PIERRE SCHOOL DISTRICT NO. 32-2**  
**REQUIRED SUPPLEMENTAL INFORMATION BUDGETARY COMPARISON SCHEDULE- CAPITAL**  
**OUTLAY FUND - BUDGETARY BASIS**  
**FOR YEAR ENDED JUNE 30, 2010**

	Budgeted amounts		Actual
	Original	Final	Budgetary Basis
Pupil transportation	\$58,500	\$58,500	\$22,564
Other	8,000	8,000	4,240
Debt services	1,050,325	1,050,325	1,049,825
Cocurricular activities:			
Male activities	17,700	17,700	900
Combined activities	57,400	57,400	61,807
Total Expenditures	2,975,915	2,975,915	2,923,456
Excess of Revenues over (under) Expenditures	(170,443)	(170,443)	(123,434)
Other Financing Sources:			
Transfers-in	168,456	168,456	168,456
Net change in Fund Balances	(1,987)	(1,987)	45,022
FUND BALANCE, JULY 1, 2009	4,993,450	4,993,450	4,993,450
FUND BALANCE, JUNE 30, 2010	\$4,991,463	\$4,991,463	\$5,038,472

The accompanying notes to required supplemental information are an integral part of this schedule.

Variance  
with Final  
Budget

\$35,936  
(3,760)  
(500)

16,800  
(4,407)

52,459

47,009

0

47,009

0

\$47,009

**PIERRE SCHOOL DISTRICT NO. 32-2**  
**REQUIRED SUPPLEMENTAL INFORMATION BUDGETARY COMPARISON SCHEDULE- SPECIAL**  
**EDUCATION FUND - BUDGETARY BASIS**  
**FOR YEAR ENDED JUNE 30, 2010**

	Budgeted amounts		Actual
	Original	Final	Budgetary Basis
Revenues:			
Revenues from Local Sources:			
Taxes:			
Ad valorem taxes	\$1,203,667	\$1,203,667	\$1,228,394
Prior year's ad valorem taxes	9,000	9,000	9,147
Penalties and interest	3,500	3,500	2,796
Earnings on deposits:			
Interest earned	500	500	598
Other local revenue			
Medicaid fees	50,000	50,000	58,118
Other	1,000	1,000	2,566
Revenues from State Sources:			
Grants-in-aid:			
Restricted grants-in-aid	841,867	841,867	844,963
Revenues from Federal Sources:			
Grants-in-aid:			
Restricted grants-in-aid received from federal government through state	1,140,296	1,140,296	1,091,962
<b>Total Revenue</b>	<b>3,249,830</b>	<b>3,249,830</b>	<b>3,238,544</b>
Expenditures:			
Instruction:			
Regular Programs:			
Programs for special education	1,910,514	1,910,514	1,772,568
Support Services:			
Pupils-			
Psychological	99,707	99,707	89,020
Speech pathology	315,555	315,555	302,045
Audiology	11,000	11,000	5,434
Student therapy	282,865	282,865	267,713
Special Education:			
Administrative costs	160,592	160,592	158,118
Transportation costs	132,685	132,685	131,983
<b>Total Expenditures</b>	<b>2,912,918</b>	<b>2,912,918</b>	<b>2,726,881</b>

The accompanying notes to required supplemental information are an integral part of this schedule.

Variance  
with Final  
Budget

---

\$24,727  
147  
(704)

98

8,118  
1,566

3,096

---

(48,334)  
(11,286)

---

137,946

10,687  
13,510  
5,566  
15,152

2,474  
702

---

186,037

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**PIERRE SCHOOL DISTRICT NO. 32-2**  
**REQUIRED SUPPLEMENTAL INFORMATION BUDGETARY COMPARISON SCHEDULE- SPECIAL**  
**EDUCATION FUND - BUDGETARY BASIS**  
**FOR YEAR ENDED JUNE 30, 2010**

	Budgeted amounts		Actual
	Original	Final	Budgetary Basis
Excess of Revenues over (under) Expenditures	\$336,912	\$336,912	\$511,663
Other Financing Sources (Uses): Transfers-in	<u>(336,912)</u>	<u>(336,912)</u>	<u>(336,912)</u>
Net change in Fund Balances	0	0	174,751
FUND BALANCE, JULY 1, 2009	<u>294,370</u>	<u>294,370</u>	<u>294,370</u>
FUND BALANCE, JUNE 30, 2010	<u><u>\$294,370</u></u>	<u><u>\$294,370</u></u>	<u><u>\$469,121</u></u>

The accompanying notes to required supplemental information are an integral part of this schedule.

Variance  
with Final  
Budget

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\$174,751

0

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174,751

0

---

\$174,751

**PIERRE SCHOOL DISTRICT NO. 32-2**  
**REQUIRED SUPPLEMENTAL INFORMATION BUDGETARY COMPARISON SCHEDULE- PENSION**  
**FUND - BUDGETARY BASIS**  
**FOR YEAR ENDED JUNE 30, 2010**

	Budgeted amounts		Actual
	Original	Final	Budgetary Basis
Revenues:			
Revenues from Local Sources:			
Taxes:			
Ad valorem taxes	\$255,285	\$255,285	\$259,415
Prior year's ad valorem taxes	2,000	2,000	1,958
Penalties and interest	625	625	599
Earnings on deposits:			
Interest earned	250	250	0
Total Revenue	258,160	258,160	261,972
Expenditures:			
Instruction:			
Regular Programs:			
Elementary	8,131	8,131	17,063
Middle school	84,147	84,147	80,945
High school	112,917	112,917	107,938
Support Services:			
School administration-			
Office of principal	41,984	41,984	41,984
Business-			
Fiscal services	10,981	10,981	10,230
Total Expenditures	258,160	258,160	258,160
Excess of Revenues over (under) Expenditures	0	0	3,812
Other Financing Sources (Uses):			
Transfers-in	0	0	0
Net change in Fund Balances	0	0	3,812
FUND BALANCE, JULY 1, 2009	8,224	8,224	8,224
FUND BALANCE, JUNE 30, 2010	\$8,224	\$8,224	\$12,036

The accompanying notes to required supplemental information are an integral part of this schedule.

Variance  
with Final  
Budget

\$4,130  
(42)  
(26)

(250)

3,812

(8,932)  
3,202  
4,979

0

751

0

3,812

0

3,812

0

\$3,812



**PIERRE SCHOOL DISTRICT NO. 32-2**  
**REQUIRED SUPPLEMENTAL INFORMATION BUDGETARY COMPARISON SCHEDULE- IMPACT AID**  
**FUND - BUDGETARY BASIS**  
**FOR YEAR ENDED JUNE 30, 2010**

	Budgeted amounts		Actual
	Original	Final	Budgetary Basis
Revenues:			
Revenues from Local Sources:			
Earnings on deposits:			
Interest earned	\$2,000	\$2,000	\$2,774
Revenues from Federal Sources:			
Grants-in-aid:			
Unrestricted grants-in-aid received directly from federal government	150,000	150,000	137,091
Total Revenue	152,000	152,000	139,865
Total Expenditures	0	0	0
Excess of Revenues over (under) Expenditures	152,000	152,000	139,865
Other Financing Sources (Uses):			
Transfers-out	0	(5,068)	(5,068)
Net change in Fund Balances	152,000	146,932	134,797
FUND BALANCE, JULY 1, 2009	796,991	796,991	796,991
FUND BALANCE, JUNE 30, 2010	\$948,991	\$943,923	\$931,788

The accompanying notes to required supplemental information are an integral part of this schedule.

Variance  
with Final  
Budget

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\$774

(12,909)

(12,135)

0

(12,135)

0

(12,135)

0

-\$12,135

**PIERRE SCHOOL DISTRICT No. 32-2**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**JUNE 30, 2010**

1. Budgets and Budgetary Accounting:

The school district followed these procedures in establishing the budgetary data reflected in the financial statements.

1. Prior to the first regular board meeting in May of each year the board causes to be prepared a proposed budget for the next fiscal year according to the budgetary standards prescribed by the Auditor General.
2. The proposed budget is considered by the school board at the first regular meeting held in the month of May each year.
3. The proposed budget is published for public review no later than July 15 of each year.
4. Public hearings are held to solicit taxpayers input prior to the approval of the budget.
5. Before October 1 of each year, the school board must approve the budget for the ensuing fiscal year for each fund, except trust and agency funds.
6. After adoption by the school board, the operating budget is legally binding and actual expenditures of each fund cannot exceed the amounts budgeted, except as indicated in number 8.
7. A line item for contingencies may be included in the annual budget. Such a line item may not exceed 5 percent of the total and may be transferred by resolution of the board to any other budget category that is deemed insufficient during the year.
8. If it is determined during the year that sufficient amounts have not been budgeted, state statute allows adoption of supplemental budgets when moneys are available to increase legal spending authority.

**PIERRE SCHOOL DISTRICT No. 32-2**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**JUNE 30, 2010**

9. Unexpected appropriation lapse at year-end unless encumbered by resolution of the school board. No encumbrances were outstanding at year-end.
10. Formal budgetary integration is employed as a management control device during the year for the General and Special Revenue Funds.
11. Budgets for the General and Special Revenue Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP), except that capital outlays are reported separately from current expenditures in the GAAP Statements, but are reported in the respective budgetary category to which they relate in the budgetary statements.

**PIERRE SCHOOL DISTRICT NO. 32-2**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE FISCAL YEAR ENDED**  
**JUNE 30, 2010**

	Federal CFDA Number	Pass- through Grantor's Number	Expenditures
U. S. DEPARTMENT OF AGRICULTURE:			
Pass-through the S. D. Department of Education:			
Child Nutrition Cluster:			
Non-cash Assistance (Commodities):			
National School Lunch Program (Note 3)	10.555	320020	\$81,247
Cash Assistance:			
School Breakfast Program			
(Note 2 and 3)	10.553	320020	42,764
National School Lunch Program			
(Notes 2 and 3)	10.555	320020	286,199
Cash Assistance (Subtotal)			328,963
Total for Cluster			410,210
TOTAL U. S. DEPARTMENT OF AGRICULTURE			410,210
U. S. DEPARTMENT OF THE INTERIOR:			
Direct Federal Funding:			
Indian Education Assistance to School-			
Johnson O'Malley	15.130	N/A	8,232
Pass-through the S. D. Department of Education:			
Distribution of receipts to State and Local			
Governments (Note 1)	15.227	N/A	14
TOTAL U. S. DEPARTMENT OF INTERIOR			8,246
GENERAL SERVICES ADMINISTRATION:			
Pass-through the S. D. Federal Property Agency:			
Donation of Federal Surplus Personal			
Property (Note 4)	39.003	N/A	1,244
U. S. DEPARTMENT OF EDUCATION:			
Direct Federal Funding:			
Impact Aid	84.041	N/A	5,068
Indian Education - Grants to Local			
Educational Agencies	84.060	N/A	76,373

**PIERRE SCHOOL DISTRICT NO. 32-2**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE FISCAL YEAR ENDED**  
**JUNE 30, 2010**

	Federal CFDA Number	Pass- through Grantor's Number	Expenditures
Pass-through the S. D. Department of Education:			
Title I Cluster (Note 3)			
Grants to Local Education Agencies	84.010	T1-10-118	\$339,386
Grants to L.E.A.s (ARRA)	84.389	T1-10-118	123,642
Cluster Total			<u>463,028</u>
Vocational Education - Basic			
Grants to States	84.048	N/A	18,234
Families with Disabilities	84.181	N/A	19,949
Safe and Drug Free Schools And Communities- State Grants (Title IV)	84.186	N/A	17,689
Innovative Education Program Strategies	84.298	N/A	619
Special Education Cluster (Notes 1&3):			
Special Education	84.027	N/A	434,286
Special Education (ARRA)	84.391	N/A	586,629
Special Education-Preschool Grants	84.173	N/A	20,815
Special Education -Preschool (ARRA)	84.392	N/A	30,283
Cluster Total			<u>1,072,013</u>
Reading First State Grants	84.357	N/A	190,605
Improving Teacher Quality State Grants	84.367	N/A	140,961
EAG Science Assessment	84.368	N/A	4,667
Education Technology State Grants	84.318	N/A	3,233
ARRA - State Fiscal Stabilization Funds (Note 3)	84.394	N/A	575,509
TOTAL U. S. DEPARTMENT OF EDUCATION			<u>2,587,948</u>
GRAND TOTAL			<u><u>\$3,007,648</u></u>

**PIERRE SCHOOL DISTRICT NO. 32-2**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE FISCAL YEAR ENDED**  
**JUNE 30, 2010**

NOTE 1: Federal reimbursements are not based upon specific expenditures. Therefore, the amounts reported here represent cash received rather than federal expenditures.

NOTE 2: These amounts reflect cash received. Federal reimbursements are based on approved rates for services provided rather than reimbursements for specific expenditures.

Note 3: This grant was treated as a major program.

Note 4: The amount reported represents 23.3% of the original acquisition cost of the federal surplus property received by the School District.

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the School and is presented on the modified accrual basis of accounting unless otherwise noted. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.